Attachment 4: FEDERAL HOUSING PROGRAM DESCRIPTIONS[1]

Section 202 Supportive Housing for the Elderly

Created by the Housing Act of 1959, today's Section 202 program provides capital advances (grants) and project-based rental assistance — to non-profit sponsors for the development and construction of supportive housing for very-low-income seniors, age 62 and older. Through 2001, the Section 202 program provided housing for approximately 381,000 senior or disabled households in more than 9,000 facilities

Initially, the Section 202 program provided a below-market interest rate loan. In 1968, however, that program was phased out and replaced by the Section 236 program. The initial program was, however, reinstated by Congress in 1974, at which time it was targeted to households with incomes of less than 80 percent of AMI. Project-based Section 8 rental assistance was made available for up to 100 percent of the units, in most cases, for 20 years. The presence of Section 8 units in such projects permitted owners to serve very-low-income seniors. (The majority of pre-1975 projects relied on tenant income to pay the debt service and served moderate-income residents.)

In 1990, Section 202 funding was changed from direct loan to capital advance (grant) for the development and construction of supportive housing for seniors, but continued to include project-based rental assistance that ensures that no resident pays in excess of 30 percent of income for rent and utilities. Eligible residents must be 62 or older and have incomes at or below 50 percent of AMI. Eligible sponsors are private non-profits. HUD opens competition for funding once each year. Because of its rental assistance component, this program has an exceptional ability to reach extremely low-income seniors — individuals with incomes at or below 30 percent of AMI. Funding is, however, limited. In the Notice of Funding Availability (NOFA) issued on March 26, 2002, HUD estimated that funding was available for the production of 5,816 units, nationwide.

Section 202 is the only affordable housing program dedicated exclusively to seniors and, as such, can serve as the linchpin between housing and service delivery. It also has the advantage that it can serve a range of housing and service needs while promoting maximum independence among residents. Although originally designed as an independent living program, the modifications resulting from the 1990 Housing Act encourage service to a frail population. According to a recent AARP study,[74] the average age of the residents is 75, a large proportion of whom are frail.

---

[1] Excerpted from the "Final Report of the Seniors Housing and Health Care Facilities Commission," submitted June 28, 2002 to the U.S. Congress. View the full report at www.seniorscommission.gov

Section 202 projects can also be designed or retrofitted to provide a continuum of care services as residents age, thereby allowing older residents to age in place without fear of displacement due to frailty. This is an often-cited problem with existing assisted living facilities.

Although a highly popular and successful program, as indicated by the chart below, funding for the Section 202 program has dropped from an annual production level of 20,000 units in 1977, to today's production level of approximately 6,000 per annum.

Exhibit 15: Units Funded by Year (Elderly) -- Section 202*

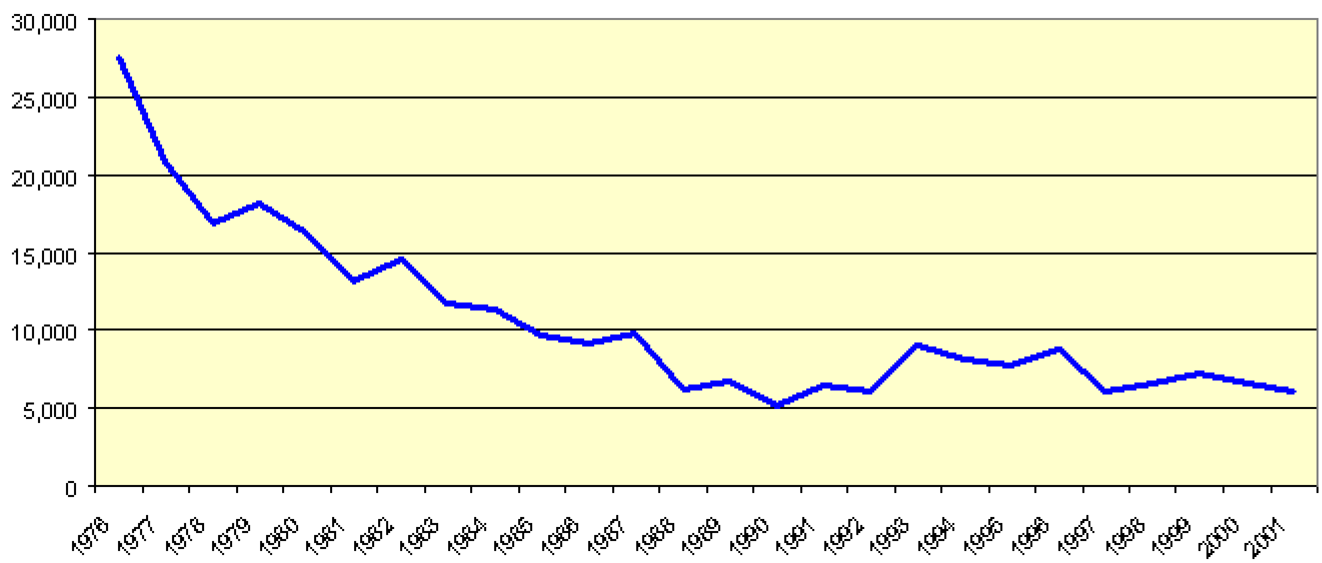

***Chart prepared using HUD data**

Public Housing

Created by the 1937 Housing Act, our system of public housing is administered at the local level by local housing authorities. Utilizing a system of construction grants and operating subsidies, hundreds of thousands of units of rental housing were developed across the country and made available to the poorest Americans. It is estimated that between 600,000 and 700,000 persons age 62 and older live in public housing, but only about one-half of those live in "seniors only" public housing.[75] Much of this housing stock needs modernization. Because no new incremental public housing units have been created for more than a decade, however, at present this program is not a resource for meeting the growing need for new senior housing.

Since 1993, HOPE VI has provided financial incentives to Public Housing Authorities (PHAs) to modernize, renovate, demolish, and replace dense public housing communities with mixed-use, mixed-income units. HOPE VI grant funds can also be used to pay for supportive services and service coordinators for seniors and many PHAs have incorporated senior housing into their HOPE VI revitalization projects. The Commission views this as a good source for intergenerational living for seniors. Still, a net loss of units available to low-income seniors often results from a HOPE VI development, because the program does not require “one for one” unit replacement.

Housing Choice Vouchers

Administered by local housing authorities, Housing Choice Vouchers (a tenant-based rental assistance program which was formerly the Section 8 certificate and voucher program), is available to help with rent affordability for very-low-income and extremely-low-income persons in existing private rental housing. Although this program does not produce new units, it is a valuable resource where a supply of appropriate units for very low-income seniors already exists. According to the 1999 American Housing Survey, the most important consideration in the choice of neighborhood for seniors who moved recently was convenience to friends or relatives. A voucher program may permit an older person to relocate closer to family and community support. HUD estimates that approximately 1.5 million vouchers are currently in use and that 17 percent of voucher holders are elderly households.

Seniors may encounter significant difficulty in locating acceptable units. Housing Choice Vouchers are limited in their utility for older seniors with physical impairments or transportation problems. These difficulties are compounded in areas of the country with low vacancy rates or where fair-market rents lag behind market rents. In a recently released HUD-commissioned study, 7 percent of respondents were elderly households. Of those respondents, persons age 62 and older had only a 54 percent success rate in finding appropriate housing using the voucher program. By contrast, households headed by persons under age 25 had a 73 percent success rate and households headed by persons aged 25 to 62 had a 68 percent success rate.[76]

The following table shows the amount of new, incremental vouchers funded by Congress from 2000 through the President’s FY 2003 budget proposal. HUD does not collect demographic information on the types of households that receive these new vouchers. For purposes of illustration, however, the HUD estimate of 17 percent senior voucher holders was assumed.

Exhibit 16: Incremental Vouchers

Fiscal Year	Number of New, Incremental Vouchers	Number Used by Elderly Households*
2000	60,000	10,200
2001	79,000	13,430
2002	26,000	4,420
2003 (proposed)	34,000	5,780

*Chart prepared from HUD data

Recently, HUD has allowed PHAs to use up to 20 percent of their vouchers in housing developments, as project-based subsidies. This decision will assist both the seniors who are searching for subsidized housing and senior housing providers who are attempting to increase the stock of affordable housing.

HOME Investment Partnership Program

HOME, a federally funded program for housing, was enacted in 1990 as part of the National Affordable Housing Act (NAHA). The program is intended to foster partnerships among Federal, State, and local governments, and the private sector. Funds are allocated annually to States and local governments on a needs-based formula. This formula includes the number of low- and very-low-income families, the number of homeless, local housing conditions, and local economic conditions. Typically, 40 percent of HOME funds are allocated to the State unit of government and 60 percent to local Participating Jurisdictions , generally, the larger cities. To receive funds, States and localities must generate a Consolidated Plan — a planning tool that documents housing statistics and sets housing goals, as part of a comprehensive strategy. HOME could be an important resource for seniors in that it is locally administered and could potentially combine services with housing. For example, in FY2000, State agencies were awarded almost $72 million in funds for a range of housing activities targeted to seniors.[77] HOME is not, however, a program that is dedicated exclusively to seniors and it is typically used as “gap” financing to create affordability in projects that rely on mixed-financing.

Community Development Block Grant Program (CDBG)

Enacted by the Housing and Community Development Act of 1974, the Community Development Block Grant (CDBG) program provides a flexible source of annual formula grant funding for local governments to address their particular development priorities. HUD provides grant funds to

States and local governments based on relative needs. To receive both CDBG and HOME funds, States and localities must generate a Consolidated Plan, as described above.

CDBG funds support a wide range of activities intended to further community and economic development directed toward neighborhood revitalization, economic development, and the provision of improved community facilities and services. CDBG activities are initiated and developed at the local level based on a community's perceptions of its needs and priorities and potential benefits to the community. CDBG projects must benefit low- and moderate-income families, prevent or eliminate slums and blight, or meet other urgent community development needs.

Approximately 70 percent of CDBG funds go directly to local governments with 50,000 or more residents. Remaining funds go to the States, which then allocate the funds among less populated localities. CDBG funds can be used to benefit seniors through the:

- Reconstruction or rehabilitation of affordable senior housing;
- Construction of public facilities and improvements, such as senior centers; and/or
- Provision of public services, such as congregate meals and transportation.

States and local governments often use CDBG funds to match Older Americans Act (OAA) formula funding to help provide OAA Title III services.

Low-Income Housing Tax Credit Program

Currently, more affordable housing is produced through the Low-Income Housing Tax Credit Program (LIHTC) than any other Federal housing program. Created by Congress in 1986 — under Section 42 of the Internal Revenue Code — the program provides a tax credit to those who invest in affordable housing. To be eligible for the credit, 20 percent of the applicable housing units must be affordable to persons with incomes at or below 50 percent of AMI, or 40 percent of the units must be affordable to persons at or below 60 percent of AMI. Although LIHTC program rents must be "affordable," the rents are not subsidized i.e., the individual resident's rent is not capped at 30 percent of income. Because of this, the "band of affordability" in tax credit housing is considered to be persons with incomes between 40 percent and 60 percent of AMI.

Although the enabling legislation for Section 42 establishes basic ground rules, the housing tax credit program is administered by each State through the State's Qualified Allocation Plan (QAP), which reflects the goals and principles of that State. The Commission finds that this model of

Federal/State partnership works well, with State and local governments better able to determine local needs and adjust for changes in demographics. Many states have established “set-asides” or have provided additional points in their scoring systems to provide incentives for developers who produce senior housing under the tax credit program. Some States require services in senior housing developments as well, or provide additional points for housing owners who are willing to commit to offering services on a long-term basis. The Commission believes that States that include senior housing as a priority should be commended and that other States should be encouraged to move in that direction.

Although not a program targeted exclusively to senior housing, each year about 13,200[78] units of senior housing are being created through the LIHTC. A recent 40 percent per capita increase in tax credit authority to the States should [result in an increase in senior housing production levels under this program.

Mortgage Revenue Bonds and 501(c)(3) Tax Exempt Bonds

Senior facilities, including independent living and health care facilities are also financed with multifamily bonds. These are tax-exempt bonds developers use to obtain more favorable interest rates. As a result of reduced interest expense, they are able to set lower rents. Generally, multifamily bonds take two forms: 501(c)(3) bonds that are exclusively available to non-profits and have no upper limits on how much can be issued; and private activity bonds, which can be used by private developers and are generally combined with a 4 percent tax credit that is subject to a State’s bond cap.

Multifamily bonds are issued on a project-specific basis. Regardless of the sponsor/developer, a public entity such as a State or local housing finance agency or PHA must be involved in the issuance of these bonds. Taxable bonds may also be issued to provide additional funds for the production of affordable rental housing.

The Internal Revenue Code requires that at least 80 percent of the units financed with housing bonds be rented to persons with incomes at or below 80 percent of AMI, and that non-501(c)(3) bonds meet one of the following more stringent tenant income requirements:

- · At least 20 percent of the units in a bond-financed project must be rented to tenants with incomes at or below 50 percent of AMI; or
- At least 40 percent of the units must be rented to tenants with incomes at or below 60 percent of AMI.

Health facility bonds are also used to finance assisted living and long-term care facilities, but do not carry the same affordability test, as do multifamily bonds.

Government Sponsored Enterprises

Because Government Sponsored Enterprises (GSEs) — Fannie Mae, Freddie Mac, and the Federal Home Loan Banks — are chartered as a private enterprise by Congress they are able to access the capital market at lower costs. GSEs are a critical part of the Nation's financial delivery system and their actions have direct bearing on the availability and cost of housing finance, including housing for seniors. Again, although they are not designed to help fill needs for senior housing exclusively, they are useful sources of financing for moderately priced senior housing. Both Fannie Mae and Freddie Mac offer forward commitments for projects utilizing LIHTC, and Fannie Mae is one of the largest purchasers of housing tax credits. The Affordable Housing Program of the Federal Home Loan Bank is a good example of GSE participation in affordable housing as a frequent supplement to mixed-financed projects, including those projects that are making use of housing tax credits.

HUD Mortgage Insurance

Pursuant to the Housing Acts of 1954 and 1959, HUD offers Federal Housing Administration (FHA) mortgage insurance for housing and health care facilities under a variety of programs. Sections 221(d)(3) and 221(d)(4) of the Housing Act provide insurance for the construction or rehabilitation of housing for low- and moderate-income families. Section 232 provides insurance for nursing facilities, board and care homes, assisted living facilities, and projects that combine two or more of those types of housing units. The regulations that govern all three of programs are quite similar. HUD mortgage insurance offers a number of advantages to the potential housing provider. With HUD insuring the loan, the risk to financing institution(s) is reduced, which means lower interest rates for the housing provider. FHA programs, although not direct subsidy programs, are an important potential resource in the delivery of housing and health care services for seniors.

Home Equity Conversion Mortgages (HECM)

Also known as "reverse mortgages," Home Equity Conversion Mortgage (HECM) loans enable older homeowners to convert the equity in their homes into monthly income streams or lines of credit.

Homeowners aged 62 and older can receive reverse mortgage loans for single-family homes, one-to-four unit owner-occupied dwellings, condominiums, planned unit developments, and manufactured homes. The borrower must, however, participate in counseling from a HUD-approved counseling agency prior before filing an application for this type of mortgage. Approved Direct Endorsement Lenders process all aspects of the loan application and submit it to HUD for insurance endorsement. HUD insures lenders against loss on these loans.

Section 515 Rural Rental Housing Program

Section 515 is a multifamily direct-loan program administered by the Rural Housing Service (RHS) of the U.S. Department of Agriculture. Although Section 515 served as a major funding source for rural housing for a number of years, in recent years, Congress severely limited funding. Currently, the program receives allocations of only approximately 1,000 units per annum. Traditionally, projects intended for very-low and extremely low-income seniors receive about half of this allocation. Under the program, housing developers receive loans at 1- percent interest for a 50- year term for the purpose of developing affordable rental housing in rural communities. Rents are set at Basic (based on 1 percent debt) and Market rate (assuming a market rate loan). In new Section 515 projects, 95 percent of tenants must have very-low-incomes. In existing projects, 75 percent of new tenants must have very-low-incomes. Project-based rental assistance can be made available, because of scarcity, however, newer facilities are less likely to receive such assistance. Developers may restrict their housing to occupancy by persons age 62 and older.[79] It should be noted that:

- Approximately 40 percent of Section 515 developments are built and operated as senior housing properties that may contain community rooms that accommodate service delivery;
- 57.8 percent of all Section 515 units (in both elderly and family properties) are currently occupied by elderly or disabled households; and
- 55 percent of Section 515 households receive Section 521 Rental Assistance and 7 percent receive project-based Section 8 assistance administered by HUD.

Section 504 Home Repair Loan and Grant Program

The Section 504 Home Repair Loan and Grant Program is an RHS program offered to elderly persons and very-low-income families who own homes that need repairs. Seniors may use grant funds to repair, improve, or modernize their dwellings, or to remove health and safety hazards. Such activities include: repairing or replacing a leaking roof; adding insulation; installing electric lines; replacing a wood stove with central heating; installing running water, a bathroom, or a waste-water disposal system; or making a home accessible to family members with disabilities.

Homeowners who are at least 62 can receive home improvement grants of up to $7,500 if they cannot afford a loan at the 1- percent interest rate.

Community Facility Loan and Grant Program

RHS provides grants, direct loans, and guaranteed/insured loans to construct, enlarge, extend, or otherwise improve community facilities that offer essential services to rural residents through the Community Facility Loan and Grant program. . Eligible facilities include hospitals, clinics, assisted living facilities, nursing facilities, medical rehabilitation centers, group homes, community centers, and public buildings.

Exhibit 17: Summary of Income Eligibility for Programs of Housing Assistance

Income Level	Extremely Low 30% of Median and Below	Very-Low 31% – 50% of Median	Low 51% – 80% Median	Moderate 81%+
Programs currently financing new construction or rental assistance vouchers	• Section 202 • Housing Choice Vouchers • HOME • Section 515 • Public Housing / HOPE VI	• Section 202 Housing Choice Vouchers • LIHTC • HOME • Section 515 • Public Housing/ HOPE VI • 501(c)(3) Bonds (partial)	• LIHTC (up to 60%) • HOME (up to 65%) • 501(c)(3) • Bonds • GSEs	• HUD Mortgage Insurance • GSEs • 501(c)(3) • Bonds (partial)

FEDERAL HOUSING AND SERVICE INTEGRATION PROGRAMS AND GUIDELINES

Service Coordinators in Multifamily Housing

Service Coordinator positions in multifamily assisted housing were authorized in the 1990 Cranston-Gonzalez National Affordable Housing Act. HUD currently provides funding for service coordinators through three mechanisms: a nationalcompetition with other properties for a limited amount of grant funding; the useof the development's residual receipts or excess income; and budget-based rentincreases or special rent adjustments.

Owners of Section 202, Section 8, Section 221(d)(3) below-market interest rate,and Section 236 developments may apply for grant funding. Eligibility for funding islimited to those developments designed for the elderly and persons with disabilities,including any such building within a mixed-use project originally designed for themor where the owner — with HUD approval — gives preference to the elderly or persons with disabilities in tenant selection.

Service Coordinator program funding covers service coordinator salaries andbenefits as well as administrative and training expenses. Service coordinatorsroutinely assess resident needs, identify and link residents to appropriate services, andmonitor the delivery of services. Services involve activities of residents' daily living,such as eating, dressing, bathing, grooming, transferring, and home management. Aservice coordinator may also educate residents about what services are availableand how to use them or help residents build informal support networks with otherresidents, family, and friends. The service coordinator may not require any elderlyor disabled family to accept supportive services.[80]

Resident service coordinators provide an essential role for seniors by:

- Enabling individuals to remain in the least restrictive environment;
- Affording those who suffer from early- to mid-stage dementia and chronic
- disabilities an alternative to relinquishing their independence;
- Coordinating the most basic of health care needs with community service providers, preventing the pre-emptive movement of seniors to a higher than necessary level of care;
- Navigating the complex array of existing supportive services and eligibility guidelines; and
- Preventing the potential occurrence of acute medical episodes and costly treatments through early detection of apparent changes in health status.

In December 2000, Congress expanded the role of service coordinators through legislation that allows them to also assist low-income elderly or disabled families living in the geographic vicinity of eligible federally assisted housing properties.[81]

Resident Opportunities and Self-Sufficiency Program (ROSS)

The Resident Opportunities and Self-Sufficiency (ROSS) program links public housing residents with resident empowerment activities, supportive services, and assistance in becoming economically self-sufficient. The program is consistent with HUD's goal to focus resources more effectively on welfare-to-work and independent living for the elderly and persons with disabilities.

ROSS incorporates three basic funding categories: technical assistance/training support for resident organizations; resident service delivery models; and service coordinators. The last two categories specifically serve seniors as follows:

1. Resident Service Delivery Models for the Elderly and Persons with Disabilities. Eligible activities include, but are not limited to:

    - Providing personal assistance with daily activities;
    - Transporting residents to medical appointments, shopping, and other locations;
    - Helping residents maintain their health through nutritional meals, wellness programs, health education, and referrals to community resources;
    - Providing congregate services, and
    - Making physical improvements to the housing development in order to provide space for supportive services.

2. Service Coordinator Grants. These grants enable PHAs to employ Service Coordinators to assist elderly and disabled residents in maintaining independent living. Grant funds may be used to pay salaries, fringe benefits, and related administrative costs (i.e., training, office equipment, and utilities). Since FY 1999, HUD has provided Service Coordinator extension funding under ROSS for grants originally awarded in FY1995. ROSS does not fund new Service Coordinator programs.

Each year, HUD awards grants to PHAs through a competitive grant process set forth in annual NOFAs.

Assisted Living Conversion Program (ALCP)

The FY2000 VA- HUD and Independent Agencies Appropriations (Public Law 106-74) authorized the Assisted Living Conversion Program (ALCP), as a program of grants to non-profit providers of Section 202 facilities to cover the physical conversion of common spaces and some or all residential units within existing projects to operate as assisted living facilities. In 2001, Congress expanded this program to include HUD Section 221(d)(3) BMIR, Section 236 and senior developments with project-based Section 8, including RHS Section 515 projects. Although funds may be used to renovate and reconstruct units and common spaces, no grant funds may be used to pay for or deliver services. The funding level for FY2000 and FY2001 was $50,000,000 per year, with FY2000 authority carried over to 2001. Due to difficulty in qualifying for and implementing the program, funds have not been fully utilized in either funding cycle.

Congregate Housing Services Program (CHSP)

Congress created the Congregate Housing Services Demonstration (CHSP) program in 1978, and made it a permanent, discretionary grant program in 1990. Each year, Congress provides extension funding for existing CHSP grantees, but has not appropriated funding for new grants since 1994.

CHSP grants subsidize the cost of service coordination and onsite supportive services (i.e., home and community based services) for frail elderly and disabled residents of HUD and RHS subsidized senior housing. The goal of CHSP is to enable aging in place and to prevent premature or unnecessary institutionalization. It was among the first initiatives developed by the Federal Government to provide a comprehensive housing and supportive services package within a subsidized housing environment.

CHSP grant funds are matched through contributions from grantees and private and public funding sources, and through participant fees. This coordinated effort to provide housing and supportive services has given to frail elderly persons whose incomes, and therefore housing and service options, are limited, a higher-quality of life than they would have had without it. CHSP can serve as an alternative to nursing facility placement for many participants.